



**RBC Global  
Asset Management**

**RBC FUNDS**

# ANNUAL INFORMATION FORM

Series A, Advisor Series, Series D, Series F and Series O units

September 3, 2015

RBC U.S. Small-Cap Value Equity Fund

No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise.

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## Name, formation and history of the fund

This annual information form contains information about the RBC U.S. Small-Cap Value Equity Fund, which is an RBC Fund. There are other RBC Funds, which are offered under a separate simplified prospectus and annual information form. In this document:

- › *we, us* and *our* refer to RBC Global Asset Management Inc. (*RBC GAM*); and
- › *fund* refers to the RBC U.S. Small-Cap Value Equity Fund or one of its series.

The principal address of the fund is c/o RBC Global Asset Management Inc., 155 Wellington Street West, Suite 2200, Toronto, Ontario, M5V 3K7.

RBC GAM is the manager, trustee and primary portfolio manager of the fund. RBC GAM is also the principal distributor of the fund other than Series A units. RBC GAM was formed upon the amalgamation of Phillips, Hager & North Investment Management Ltd. (*PH&N*) and its affiliate, RBC Asset Management Inc., effective November 1, 2010. Effective November 1, 2013, RBC GAM amalgamated with its wholly owned subsidiary, BonaVista Asset Management Ltd., with the resulting entity keeping the RBC GAM name. Royal Mutual Funds Inc. (*RMFI*) is the principal distributor of Series A units of the fund. RBC GAM is the primary investment manager for the RBC® businesses serving the needs of private clients, including the RBC Funds, PH&N Funds and RBC Private Pools. RBC Investor Services Trust (*RBC IS*) is the custodian of the fund. See *Responsibility for operations of the fund* on page 15. RBC GAM, RMFI, RBC Direct Investing Inc. (*RBC DI*), RBC Dominion Securities Inc. (*RBC DS*), RBC IS and Phillips, Hager & North Investment Funds Ltd. (*PHN IF*) are all wholly owned subsidiaries of Royal Bank of Canada (*Royal Bank*). We refer to Royal Bank and affiliated companies of Royal Bank as *RBC*.

The fund is divided into multiple series of units of participation (*units*) representing interests in the fund held by unitholders (*unitholders*).

All dollar amounts in this document are in Canadian dollars, unless we state otherwise.

The fund is an open-ended mutual fund trust governed by the laws of Ontario and governed by an amended and restated master declaration of trust dated as of June 27, 2014 (*Master Declaration of Trust*) signed by RBC GAM as trustee of the fund and a regulation in respect of the fund.

The fund was established on September 1, 2015.

## Investment practices and restrictions

### *Investments*

Please refer to the simplified prospectus of the fund for a description of the investment objective of the fund.

The fundamental investment objective of the fund may not be changed without the consent of a majority of voting unitholders of the fund. The trustee can make other changes to the investment strategies and activities of the fund without the consent of unitholders, subject to any required approval of the Canadian securities regulators and/or the independent review committee (the *IRC*) of the fund.

### *Investments in derivative instruments*

The fund may use derivatives as permitted by the Canadian securities regulators for hedging or non-hedging purposes. In addition, certain mutual funds in which the fund may invest (collectively, the *underlying funds*) may use derivatives as permitted by the Canadian securities regulators for hedging or non-hedging purposes. The risk factors associated with the use of derivatives are disclosed in the simplified prospectus of the fund.

Derivatives may be used to participate in changes to a particular market or group of securities without purchasing the securities directly, or to temporarily reduce participation in a particular market in which the underlying fund has already invested. An underlying fund may not expose more than 10% of its assets to derivatives unless it has received permission from the Canadian securities regulatory authorities to exceed that amount. The types of derivatives an underlying fund may use include forward contracts, futures contracts, warrants, options or options on futures, swaps and index participation units.

RBC GAM is responsible for managing the risks associated with the use of derivatives. RBC GAM has written guidelines that set out the objectives and goals for derivatives trading, which are established and reviewed periodically by the board of directors of RBC GAM as required. In addition, RBC GAM has written control policies and procedures in place that set out the risk management procedures applicable to derivatives trading. These policies and procedures set out specific procedures for the authorization, documentation, reporting, monitoring and review of derivative strategies ensuring that these functions are performed by individuals independent of those who trade. Limits and controls on derivatives trading are part of RBC GAM's compliance regime. All derivatives transactions are reviewed by a specially trained team that ensures that the derivative positions of the fund are within the existing control policies and procedures. As the use of derivatives by the fund is limited, RBC GAM does not currently conduct simulations to test the portfolio under stress conditions. Derivative strategies are regularly monitored by RBC GAM management and reviewed by the IRC of the fund on an annual basis. See *Corporate governance of the fund* on page 22. Compliance with these policies and procedures is monitored periodically by internal auditors of Royal Bank. RBC GAM receives quarterly confirmations from the sub-advisor of the fund, RBC Global Asset Management (U.S.) Inc. (*RBC GAM (US)*), that the fund is in compliance with applicable securities laws relating to the use of derivatives by the fund.

### ***Securities lending transactions, repurchase agreements and reverse repurchase agreements***

The fund may enter into securities lending arrangements and repurchase and reverse repurchase transactions in accordance with the rules of the Canadian Securities Administrators.

Pursuant to an agency agreement, RBC GAM has appointed RBC IS to act as the agent of RBC GAM and the fund and to enter into securities lending transactions, repurchase agreements and reverse repurchase agreements on behalf of the fund. The agency agreement provides for the types of transactions that may be entered into by the fund, the types of portfolio assets of the fund that may be used, collateral requirements, limits on transaction sizes, permitted counterparties to the transactions and investment of any cash collateral. The agent will:

- › ensure that collateral is provided in the form of cash, qualified securities or securities that can be converted into the securities which are the subject of the securities lending, repurchase or reverse repurchase transactions;
- › value the loaned or purchased securities and the collateral every day to ensure that the collateral is worth at least 102% of the value of the securities;
- › invest any cash collateral in accordance with the investment restrictions specified in the agency agreement;
- › invest no more than 50% of the total assets of the fund in securities lending or repurchase transactions at any one time; and
- › assess the creditworthiness of the counterparties to securities lending, repurchase and reverse repurchase transactions.

The securities lending transactions of the fund may be terminated by the fund at any time. Repurchase agreements or reverse repurchase agreements of the fund will have a maximum term of 30 days.

RBC GAM and RBC IS review the agency agreement and the securities lending, repurchase and reverse repurchase arrangements periodically as required to ensure that they comply with Canadian securities regulations and the fund governance policies as described above.

The risk factors associated with securities lending, repurchase and reverse repurchase transactions are disclosed in the simplified prospectus of the fund. RBC GAM is responsible for managing the risks associated with securities lending, repurchase and reverse repurchase transactions. RBC GAM has written guidelines that set out the objectives and goals with respect to securities lending arrangements, repurchase transactions and reverse repurchase transactions which are established and reviewed periodically by the board of directors of RBC GAM as required. RBC GAM has written control policies and procedures in place that set out the risk management practices applicable to securities lending, repurchase and reverse repurchase transactions. As the use of securities lending, repurchase and reverse repurchase transactions by the fund is limited, RBC GAM does not currently conduct simulations to test the portfolio under stress conditions. All securities lending arrangements and repurchase and reverse repurchase agreements are monitored regularly by RBC GAM management and reviewed by the IRC of the fund on an annual basis. See *Corporate governance of the fund* on page 22. Internal auditors of Royal Bank monitor compliance with these policies and procedures periodically.

### ***Investment restrictions***

Subject to the exceptions described below, we manage the fund in accordance with the standard mutual fund investment restrictions and practices (the *restrictions*) contained in securities legislation, including National Instrument 81-102 – *Investment Funds (NI 81-102)* and National Instrument 81-107 – *Independent Review Committee for Investment Funds (NI 81-107)*. The restrictions are designed in part to ensure that the investments of the fund are diversified and relatively liquid and to ensure the proper administration of the fund.

### **Related issuer securities**

Generally, the restrictions prevent a fund from purchasing the securities of a related issuer. The fund is permitted, however, to purchase the securities of a related issuer if the purchase is made on an exchange on which the securities are listed and traded. This means the fund can purchase, for example, listed common and preferred shares. RBC GAM has received relief which permits the fund to purchase debt securities of a related issuer, provided that:

- (i) the purchase occurs in the secondary market;
- (ii) the debt security has a designated rating by a designated rating organization;
- (iii) the price payable is not more than the ask price of the security determined as follows:
  - (A) if the purchase occurs on a marketplace, in accordance with the requirements of the marketplace;
  - (B) if the purchase does not occur on a marketplace,
    - (1) the price at which an independent arm's-length seller is willing to sell; or
    - (2) the price quoted publicly by an independent marketplace or not more than the price quoted by at least one independent arm's-length party.

RBC GAM has also received relief which permits the fund to purchase debt securities of a related issuer (other than asset-backed securities), with a term to maturity of 365 days or more, offered in the primary market (i.e. from the issuer) (an *offering*), provided that:

- (i) the debt security has a designated rating by a designated rating organization;
- (ii) the size of the offering is at least \$100 million;
- (iii) at least two arm's-length purchasers collectively purchase at least 20% of the securities issued in the offering;
- (iv) following the purchase, the fund does not have more than 5% of its net assets invested in the debt securities of the issuer;

- (v) following the purchase, the fund, together with other related investment funds, collectively do not hold more than 20% of the securities issued in the offering; and
- (vi) the purchase price is no more than the lowest price paid by any arm's-length purchaser.

#### Principal trading

Generally, the restrictions prevent a fund from purchasing securities from or selling securities to a related party acting as principal. A fund is, however, permitted to engage in such transactions if the bid and ask price are reported by any public quotation. A fund is also permitted to purchase debt securities from or sell debt securities to another fund, subject to certain conditions in NI 81-102 and NI 81-107. RBC GAM has received relief which permits the fund to purchase debt securities from or sell debt securities to a related party that is a principal dealer in the Canadian debt securities market, provided that:

- (i) the transaction occurs in the secondary market;
- (ii) the bid and ask price of the security must be determined by reference to a quote from an independent party if not publicly available; and
- (iii) a purchase must not be executed at a price higher than the ask price and a sale must not be executed at a price which is lower than the bid price.

#### Related party underwriting

Generally, a fund is prohibited from investing in securities in respect of which a related party has acted as underwriter during the distribution and for 60 days thereafter. A fund is, however, permitted to purchase debt and equity securities in respect of which a related party has acted as underwriter if certain conditions in NI 81-102 are met, including, in respect of equity securities, that a prospectus is filed in respect of the securities. RBC GAM has received relief which permits the fund to purchase equity securities where a prospectus has not been filed, provided that:

- (i) the issuer is a reporting issuer in Canada; and
- (ii) the conditions which apply to purchases where a prospectus has been filed are complied with.

RBC GAM has obtained relief which permits the fund to purchase equity securities distributed in the United States and the United Kingdom, European Union, Switzerland, Norway, Australia, Hong Kong and Singapore (collectively, the "other jurisdictions") provided that:

- (i) any related party that is involved in the distribution is regulated in respect of its underwriting activities in Canada, the United States or such other jurisdictions;
- (ii) the securities issued in the distribution must be listed on a stock exchange and if the securities are acquired during the 60-day period after the distribution they are acquired on a stock exchange; and
- (iii) the conditions which apply to the purchase of equity securities distributed in Canada in respect of which a related party has acted as underwriter are complied with.

RBC GAM has obtained relief which permits the fund to purchase debt securities (other than asset-backed commercial paper) in respect of which a related party has acted as underwriter notwithstanding that the debt securities do not have an approved rating by an approved credit rating organization, provided that:

- (i) if the securities are acquired in a distribution,
  - (A) at least one underwriter acting as underwriter in the distribution is not a related dealer;
  - (B) at least one purchaser who is independent and arm's-length to the fund and the related dealer must purchase at least 5% of the securities distributed under the distribution;
  - (C) the price paid for the securities by the fund in the distribution shall be no higher than the lowest price paid by any of the arm's-length purchasers who participate in the distribution; and

- (D) the fund and any related funds for which RBC GAM or its affiliate or associate acts as manager and/or portfolio manager can collectively acquire no more than 20% of the securities distributed under the distribution in which a related dealer acts as underwriter;
- (ii) if the securities are acquired in the 60-day period,
- (A) the ask price of the securities is readily available as provided in Commentary 7 to section 6.1 of NI 81-107;
- (B) the price paid for the securities by the fund is not higher than the available ask price of the security; and
- (C) the purchase is subject to market integrity requirements as defined in NI 81-107.

#### Inter-fund trades

Under NI 81-102 and NI 81-107, the fund is permitted to engage in certain inter-fund trades subject to certain conditions, including that the inter-fund trade be executed at the “current market price” of the security. RBC GAM has received relief which permits the fund to engage in inter-fund trades if the security is an exchange-traded security or a foreign exchange-traded security, executed at the last sale price, immediately before the trade is executed, on the exchange upon which the security is listed or quoted.

Pursuant to exemptive relief obtained on behalf of the RBC Funds, the fund is permitted to engage in certain trades of portfolio securities, including mortgages, with investment funds that are not subject to NI 81-107 and with discretionary accounts managed by RBC GAM or related parties, subject to complying with similar conditions as those set out in NI 81-107, as well as additional terms and conditions that apply to mortgage transactions, including valuation requirements.

#### Independent Review Committee review

Appropriate records of the transactions described above (referred to, collectively, as *Related Party Trading Activities*) must be maintained and, in certain cases, particulars must be filed with the securities regulatory authorities. In addition, the IRC must review and assess the adequacy and effectiveness of the policies and procedures of RBC GAM in respect of Related Party Trading Activities and the IRC and RBC GAM must act in accordance with the requirements of NI 81-107 in respect of standing instructions and reporting to securities regulatory authorities.

The IRC of the fund has approved standing instructions in respect of Related Party Trading Activities. In accordance with the conditions of the applicable standing instructions of the IRC, the IRC reviews Related Party Trading Activities at least quarterly with the exception of the principal trading activities, which are reviewed at least annually. In its review, the IRC considers whether investment decisions in respect of Related Party Trading Activities:

- › were made by RBC GAM in the best interests of the fund and were free from any influence of Royal Bank and without taking into account any consideration relevant to Royal Bank or its associates or affiliates;
- › were in compliance with the conditions of the policies and procedures of RBC GAM;
- › were in compliance with the applicable standing instructions of the IRC; and
- › achieved a fair and reasonable result for the fund.

The IRC must advise the securities regulatory authorities if it determines that an investment decision in respect of Related Party Trading Activities was not made in accordance with the foregoing requirements.

Additional information about the members of the IRC is disclosed under the heading *Corporate governance of the fund – Independent Review Committee* on page 22.

### Derivative transactions

The fund has received an exemption from the securities regulatory authorities to extend the category of investments that constitute cash cover for specified derivatives entered into by the fund to include certain liquid fixed-income securities that have a remaining term to maturity of 365 days or less, floating rate securities that have an interest rate reset no later than every 185 days and securities of the RBC money market funds.

The fund has received from the securities regulatory authorities an exemption from certain of the derivatives rules in NI 81-102 which allows the fund, when it uses derivative instruments as described under *Investments in derivative instruments* on page 2, to use as cover when the fund has a long position in a debt-like security that has a component that is a long position in a forward contract or in a standardized futures or forward contract or when the fund has a right to receive payments under a swap:

- (i) cash cover in an amount that, together with margin on account for the specified derivative and the market value of the specified derivative, is not less than, on a daily mark-to-market basis, the underlying market exposure of the specified derivative;
- (ii) a right or obligation to sell an equivalent quantity of the underlying interest of the futures or forward contract, and cash cover that, together with margin on account for the position, is not less than the amount, if any, by which the strike price of the futures or forward contract exceeds the strike price of the right or obligation to sell the underlying interest;
- (iii) a right or obligation to enter into an offsetting swap on an equivalent quantity and with an equivalent term and cash cover that, together with margin on account for the position is not less than the aggregate amount, if any, of the obligations of the fund under the swap less the obligations of the fund under such offsetting swap; or
- (iv) a combination of the positions referred to in subparagraphs (i) and (ii) for debt-like securities with a long position in a forward or in a standardized futures or forward contract or of the positions referred to in subparagraphs (i) and (iii) in the case of a swap, that is sufficient, without recourse to other assets of the fund, to enable the fund to acquire the underlying interest of the futures or forward contract or satisfy its obligations under the swap.

### Gold and Silver Exchange Traded Funds

RBC GAM has obtained relief which permits the fund to purchase securities of certain exchange traded funds that seek to replicate the performance of gold or silver or the value of a specified derivative for which the underlying interest is gold or silver (*Gold or Silver ETFs*), provided that certain conditions are met, including:

- (i) the investment by the fund in securities of a Gold or Silver ETF is in accordance with the fundamental investment objectives of the fund;
- (ii) the fund does not sell short securities of a Gold or Silver ETF;
- (iii) the securities of the Gold or Silver ETF are traded on a stock exchange in Canada or the United States;
- (iv) the fund does not purchase securities of Gold or Silver ETFs if, immediately after such purchase, more than 10% of the net assets of the fund, taken at market value at the time of such purchase, would consist of Gold or Silver ETFs; and
- (v) the fund does not purchase securities of Gold or Silver ETFs if, immediately after such purchase, the market value exposure to Gold or Silver ETFs is more than 10% of the net assets of the fund, taken at market value at the time of such purchase.

### Tax status

Units of the fund are, or are expected to be, qualified investments for trusts governed by registered plans and tax-free savings accounts (*TFSA*s). See *Income tax considerations – Eligibility for registered plans and TFSA*s on page 28.

The fund is, or intends to be, a mutual fund trust under the *Income Tax Act* (Canada). Therefore it will not engage in any undertaking other than the investment of its funds in property for the purposes of the *Income Tax Act* (Canada).



## Description of units of the fund

The fund is divided into multiple series of units and each series of units is divided into units of participation of equal value. Series A and Advisor Series units are available to all investors. Series D units may be available to investors who have accounts with RBC DI or other discount brokers. Series F units have lower fees than Series A and Advisor Series units and are available for sale to investors who have accounts with dealers who have signed a fee-based agreement with us. These investors pay their dealers a fee directly for investment advice or other services. Series O units are for individuals, institutional clients or dealers who have entered into an agreement directly with RBC GAM to purchase Series O units. No management fees are payable directly by the fund in respect of Series O units. Unitholders of Series O units pay a negotiated fee directly to RBC GAM, which will not exceed 2%. The fund is authorized to issue an unlimited number of units of each series. All units of each series of the fund have equal rights and privileges. The interest of each unitholder in the fund is shown by how many units are registered in the name of such unitholder. No unit of a series of the fund has any preference or priority over another unit of the same series of the fund.

No unitholder owns any asset of the fund. Unitholders have only those rights mentioned in this annual information form, the simplified prospectus and in the Master Declaration of Trust and the regulation of the fund.

Units of the fund have the following attributes:

1. the units have distribution rights;
2. the units have no voting rights except as described below; as the fund is a trust, there are no annual unitholders' meetings;
3. on the termination of the fund, the assets of the fund will be distributed and all units in the fund will share in the value of the fund;
4. the units have redemption rights;
5. there are no conversion rights, except in limited circumstances;
6. there are no pre-emptive rights;
7. the units of the fund cannot be transferred, except in limited circumstances;
8. there is no liability for further calls or assessments;
9. the units of the fund may be sub-divided or consolidated by the trustee without notice to unitholders of the fund; and
10. subject to the unitholder approval and notice requirements described below, these attributes may be amended from time to time by RBC GAM, as trustee of the fund.

Please see *Meeting of unitholders* below for a description of your voting rights as a mutual fund unitholder.

### ***Meeting of unitholders***

Unless the fund receives an exemption from the Canadian securities regulatory authorities, the following changes cannot be made to the fund unless a majority of voting unitholders of the fund approve of them:

1. with respect to Advisor Series units only, the introduction of a fee or expense that could result in an increase in charges to the fund or unitholders;
2. with respect to Advisor Series units only, a change in the basis of calculation of a fee or expense that is charged to the fund in a way that could result in an increase in charges to the fund or unitholders;
3. a change in the manager of the fund (other than to an affiliate of RBC GAM);
4. a change in the trustee of the fund (other than to an affiliate of RBC GAM);
5. a change in the fundamental investment objectives of the fund;

6. in certain cases, if the fund undertakes a reorganization with, or transfer of its assets to, another mutual fund or acquires another mutual fund's assets; and
7. if the unit value of the fund will be calculated less often.

At any meeting of unitholders of the fund or a series of the fund, each unitholder will be entitled to one vote for each whole unit registered in the unitholder's name, except meetings at which the holders of units of another series are entitled to vote separately as a series.

In certain circumstances, the fund's reorganization with, or transfer of assets to, another mutual fund may be carried out without the prior approval of the unitholders of the fund provided that the IRC approves the transaction pursuant to NI 81-107, the reorganization or transfer complies with certain requirements of NI 81-102 and NI 81-107, as applicable, and unitholders of the fund are sent written notice at least 60 days before the effective date of the change.

The auditor of the fund may be changed without the prior approval of the unitholders of the fund provided that the IRC approves the change and unitholders of the fund are sent written notice at least 60 days before the effective date of the change.

Unitholders will be given 60 days' notice of any amendment to the Master Declaration of Trust or regulation, except that the Master Declaration of Trust may be amended without approval of, or notice to, unitholders of the fund, if the proposed amendment:

- › is not expected to materially adversely affect the interests of unitholders;
- › is intended to ensure compliance with applicable laws, regulations or policies;
- › is intended to provide additional protection to unitholders;
- › is intended to remove conflicts or inconsistencies or to correct typographical, clerical or other errors; or
- › is intended to facilitate the administration of the fund or to respond to amendments to the *Income Tax Act* (Canada) which might otherwise adversely affect the interests of the fund or its unitholders.

Because no sales charges and no redemption fees apply to Series A, Series D, Series F or Series O units of the fund, a meeting of unitholders of these series is not required to be held to approve the introduction of a fee or expense that could result in an increase in charges to those series or unitholders of those series, or any changes in the basis of calculation of a fee or expense that is charged to those series in a way that could result in an increase in charges to those series or unitholders of those series. Any such changes will only be made if notice is mailed to the applicable unitholders at least 60 days prior to the valuation date on which the increase is to take effect.

The IRC must review and provide a recommendation with regard to any proposed increase in the management fees or administration fees of the fund.

Copies of the simplified prospectus and financial statements of an underlying fund will be delivered to unitholders of the fund at no cost by calling us at 1-800-463-FUND (3863) (English) or 1-800-668-FOND (3663) (French).

## Calculation of unit value

You buy or redeem units of each series of the fund at the net asset value per unit for a series of the fund (*unit value*). The issue or redemption price of units of a series of the fund is the next unit value of that series of the fund determined after the receipt of the purchase or redemption order. The unit value of each series of the fund is determined on each valuation date after the Toronto Stock Exchange (TSX) closes or at such other time that the trustee of the fund decides (*valuation time*). The valuation date for the fund is any day when RBC GAM's office in Toronto is open for business.

Here is how we calculate the unit value of a series of the fund:

- › We take the fair value of all the investments and other assets allocated to the series.
- › We subtract the liabilities allocated to the series. This gives us the net asset value for the series.
- › We divide this amount by the total number of units of the series that investors in the fund are holding. That gives us the unit value for the series.

We will determine in good faith whether liabilities of the fund are attributable to all or only certain series of the fund.

To determine what your investment in the fund is worth, simply multiply the unit value of the series you own by the number of units you own.

## Valuation of securities held by the fund

The value of any security or property held by the fund or any of its liabilities will be determined in the following way:

- › Cash, bills, demand notes, accounts receivable, prepaid expenses, cash dividends received or receivable, distributions receivable and interest accrued and not yet received, will be valued at their full amount unless RBC GAM has determined that the cash or other asset is not worth that amount. RBC GAM will then determine a reasonable value.
- › Securities quoted in foreign currencies are translated to Canadian dollars using the prevailing rate of exchange as quoted by customary banking sources on the valuation date.
- › If the unit value of the fund is also expressed in a foreign currency, the value in foreign currency is determined by using the prevailing rate of exchange as quoted by customary banking sources on the valuation date or, if that exchange rate is not available, by applying an exchange rate chosen by RBC GAM.
- › All bonds, debentures and other obligations will be valued by taking the average of the latest available bid and ask quotations on the valuation date. Notes and money market instruments are valued at their current market value on the valuation date. RBC GAM may determine this value based on the cost of the investments, which approximates market value after taking into account accrued interest which is recorded separately from the investment. If short-term instruments are sold, the difference between the cost and the proceeds (less income previously credited for such security) will be recorded as income not capital.
- › The value of any security which is listed or dealt in any stock exchange or exchanges is generally determined by taking its latest available sale price of a board lot on the principal stock exchange on which it is listed. However, the following exceptions apply:
  - where RBC GAM is lacking any such sales or records, or if the last such sale is not within the latest available bid and ask quotations on the valuation date, RBC GAM will have the discretion to determine the fair value of the listed security based on market quotations RBC GAM believes most closely reflect the fair value of the investment;
  - in calculating the value of inter-listed investments, RBC GAM may permit over-the-counter (*OTC*) rather than stock exchange quotations to be used when they appear to reflect more closely the fair value of any particular investment; but if such stock exchange or OTC quotations do not properly reflect the prices which would be received by the fund upon the disposal of such investments, RBC GAM may place values upon such investments which appear to it to reflect most closely the fair value of such investments; and
  - in calculating the value of foreign securities listed or dealt in exchanges outside North America, RBC GAM will place values upon such securities which appear to reflect most closely the fair value of such securities. In particular, RBC GAM has procedures in place to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. Accordingly, the value calculated on fair valued securities for purposes of calculating

the fund's net asset value may differ from that security's most recent closing market price. As a means of evaluating our fair value process, we will routinely compare closing market prices, the next day's opening prices in the same markets, and adjusted fair value prices. These procedures are designed to minimize the potential for market timing strategies, which are largely focused on funds with significant holdings of foreign securities. They may also be used in respect of foreign securities held by an underlying fund in which the fund may invest, indirectly affecting the net asset value of the fund.

- › Long positions in clearing corporation options, options on futures, OTC options, debt-like securities and listed warrants shall be valued at their current market value.
- › Where a covered clearing corporation option, option on futures or OTC option is written, the premium received by the fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or OTC option that would have the effect of closing the position. Any differences resulting from the revaluation will be treated as an unrealized gain or loss on investment. The deferred credit will be deducted in arriving at the net asset value of the fund. The securities, if any, which are the subject of a written clearing corporation option or OTC option will be valued at their current market value.
- › The value of a futures contract, forward contract or swap will be the gain or loss that would be realized if, on the valuation date, the position in the futures contract, forward contract or swap, as the case may be, were to be closed out unless daily limits are in effect, in which case fair value, based on the current market value of the underlying interest, shall be determined by RBC GAM.
- › Margin paid or deposited in respect of futures contracts and forward contracts will be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin.
- › The value of forward currency contracts and currency futures contracts will be calculated on a mark-to-market basis on the valuation date based on reported quotations in common use provided cash is to be settled on maturity of the contracts.
- › The value of any security which is not listed or dealt in upon any stock exchange is determined at the most recently available sale price on a valuation date, or if such sale price is not available, at a sale price determined by RBC GAM, based on relevant market and/or company data that RBC GAM believes most closely reflects the fair value of the investment.
- › In this annual information form, unless otherwise indicated, current market value means the most recently available sale price applicable to the relevant security on the principal exchange on which it is traded immediately preceding the valuation time on the valuation date, provided that, if no sale has taken place on a valuation date, the average of the bid and ask quotations immediately prior to the valuation time on the valuation date shall be used.
- › Units of the various underlying funds held by the fund will be valued at their respective unit values on the relevant valuation date.
- › Units of the underlying funds that are managed by a manager other than RBC GAM will be valued at their net asset value as communicated by such managers of the underlying funds to RBC GAM.
- › If a valuation date of the fund is not a business day for a specific market, the prices or quotations of the prior business day will be used to value any asset or liability for such market.
- › If the valuation principles described above are not appropriate under the circumstances, RBC GAM will determine a value which it considers to be fair and reasonable in the circumstances. RBC GAM has not exercised this discretion within the past three years.

You can get the net asset value of the fund or the net asset value per unit of a series of the fund, at no cost, on the RBC Funds website at [www.rbcgam.com](http://www.rbcgam.com) or through our interactive voice response system by calling us toll-free at 1-800-463-FUND (3863) (English) or 1-800-668-FOND (3663) (French) or by sending an email to [funds.investments@rbc.com](mailto:funds.investments@rbc.com) (English) or [fonds.investissements@rbc.com](mailto:fonds.investissements@rbc.com) (French) or by asking your dealer.

## Purchases, switches and redemptions of units

### *How to buy, redeem and switch*

It is up to you or your investment professional, if applicable, to determine which series is appropriate for you. Different series may have different minimum investment levels, may require you to pay different fees and expenses, and may affect the compensation we pay to a dealer.

Your dealer must send your order to us on the same day it is received. It is the responsibility of your dealer to transmit orders to us in a timely manner and assume all associated costs.

#### Series A units

Series A units are available:

- (i) through RMFI by:
  - › visiting an RBC Royal Bank\* branch,
  - › calling 1-800-463-FUND (3863) (English) or 1-800-668-FOND (3663) (French) to speak to a RMFI licensed representative, or
  - › using RBC Royal Bank's Online Banking service at [www.rbcroyalbank.com](http://www.rbcroyalbank.com); or
- (ii) through other authorized dealers, including RBC DS and RBC DI.

#### Advisor Series units

Advisor Series units are available through authorized dealers, including RBC DS and RBC DI.

#### Series F units

Series F units are available to investors who have accounts with dealers who have signed a fee-based agreement with us. These investors pay their dealer a fee directly for investment advice or other services. We do not pay any sales charges or trailing commissions to dealers who sell Series F units, which means that we can charge a lower management fee.

For Series A, Advisor Series and Series F units, you must invest and maintain a minimum balance for the fund. The amount of such minimum balance is set out in the simplified prospectus of the fund.

#### Series D units

Series D units may be available to investors who have accounts with RBC DI or other discount brokers. The minimum balance for Series D units of the fund is \$500. The minimum additional investment for the fund is \$25. We pay a reduced trailing commission with respect to Series D units, which means we can charge a lower management fee. RBC DI and other discount brokers do not provide investment recommendations or advice to their clients. **If you wish to transfer your holdings of units of the fund to an RBC DI or another discount brokerage account, you must contact RBC DI or the other discount broker. If you hold units of the fund, other than Series D units, in an RBC DI or other discount brokerage account and become eligible to hold Series D units, you may instruct RBC DI or your discount broker to reclassify your units but it will not be done automatically.**

Series D units may also be available to investors who have accounts with PHN IF, where the account minimums established by PHN IF from time to time are satisfied.

#### Series O units

Series O units are for individuals, institutional clients or dealers who have entered into an agreement directly with RBC GAM to purchase Series O units. No management fees are payable by the fund in respect of Series O units. Unitholders of Series O units pay a negotiated fee directly to RBC GAM, which will not exceed 2%.

\* RBC Royal Bank is the brand name for personal and commercial banking in Canada, serving small- and medium-sized business and mid-market commercial clients in Canada.

**All series**

If your balance falls below the minimum required balance for the fund or series, or you otherwise become ineligible to hold the fund or a particular series, we may redeem or reclassify your units, as applicable. Where a unitholder is or becomes a citizen or resident of the United States or a resident of any other foreign country, we may require such unitholder to redeem their units if their participation has the potential to cause adverse regulatory or tax consequences for the fund or other unitholders of the fund. If we redeem, reclassify or switch your units, the effect will be the same as if you initiated the transaction. For redemptions in non-registered accounts, we may transfer the proceeds to you, and for redemptions in registered plans, we may transfer the proceeds to a registered savings deposit within the plan. We will not give you or your dealer notice prior to taking any action.

For us to act on an order to buy, redeem, reclassify or switch units, the branch, telephone salesperson or dealer must send the order to us on the same day it is received and assume all associated costs.

If we receive your order before 4:00 p.m. Eastern Time, your order will be processed using that day's unit value. A separate unit value is calculated for each series of units. If we receive your order after 4:00 p.m. Eastern Time, your order will be processed using the next business day's unit value. If we determine that the unit value will be calculated at a time other than after the usual closing time of the TSX, the unit value paid or received will be determined relative to that time. All orders are processed within three business days. If you are placing your order through a dealer other than RMFI or RBC DS, the dealer may establish earlier cut-off times. Check with your dealer for details.

RBC Royal Bank customers with RMFI non-registered accounts are able to view, buy, redeem and switch RBC Funds using RBC Royal Bank's Online Banking service at [www.rbcroyalbank.com](http://www.rbcroyalbank.com). Customers with RBC Royal Bank RRSP accounts are able to view, buy or switch units of the RBC Funds within these accounts online. For Online Banking transactions, if RMFI receives your order before 3:00 p.m. Eastern Time, you will pay or receive that day's unit price, unless a different cut-off time is established by the trustee. If RMFI receives your order after 3:00 p.m. Eastern Time, you will pay or receive the unit value on the next business day.

Within three business days after a purchase order is received, the trustee will issue the units, subject to its right of rejection, at the unit value of the series on the date that the purchase order was received. Units may be issued only in exchange for cash.

RBC GAM may accept or reject purchase orders, in whole or in part, within one business day of the order. If a purchase order is rejected, the monies received with the order will be returned to the investor immediately.

Your dealer may make arrangements with you that will require you to compensate your dealer for any losses suffered by the dealer in connection with a failed purchase order caused by you.

***Purchase options for Advisor Series units***

When you invest in Advisor Series units of the fund you may choose one of the following two purchase options:

- › Initial sales charge (*paying when you buy your Advisor Series units*) – a negotiable sales charge of between 0% and 5% of the amount you invest is paid to your dealer.
- › Low-load sales charge (*paying when you redeem your Advisor Series units*) – no sales charge is payable at the time of purchase. We will pay the dealer a sales charge of 1% of the net asset value of the Advisor Series units purchased by an investor choosing this option. See *Low-load sales charge option* in the simplified prospectus for a summary of the charges payable by investors with respect to this purchase option if the Advisor Series units are redeemed within a period of two years from the date of purchase.

Your dealer can help you decide which option is right for you. The sales charge compensates your dealer for the advice and service he or she provides to you.

## Switches and reclassifications of units

A switch is the exchange of units of one fund for units of another. You can switch units from one RBC Fund to another as long as you:

- › maintain the relevant minimum balance in each RBC Fund; and
- › switch for units purchased under the same sales charge option (Advisor Series only).

You can only switch between units of RBC Funds denominated in the same currency. See *Purchases, switches and redemptions – How to buy, redeem and switch* in the simplified prospectus for the fund.

You can change your investment from units of one series of the fund to units of another series of the fund if you are eligible to hold units of the second series. This is called a reclassification. If you cease to be eligible to hold units of a series because you no longer meet the relevant eligibility requirements, your units will be reclassified into units of the series of the fund that you are eligible to hold. A reclassification of units will not result in a capital gain or loss because a reclassification is not considered a redemption or other disposition of the reclassified units for tax purposes.

Once we receive your order to switch, we will sell your units in the RBC Fund you are switching from as described below under *Redemptions* and use the proceeds to buy units of the RBC Fund to which you are switching.

If a unitholder requests a switch from one RBC Fund to another RBC Fund, the purchase of units of the RBC Fund will be at the unit value of the series of units on the date of redemption from the first fund.

Switching may result in a capital gain or loss for tax purposes. See *Income tax considerations* on page 24.

## Redemptions

You can sell units at any time. This is called a redemption. Your dealer must send your redemption request on the same day it is received. Redemption requests will be processed in the order in which they are received. The fund will not process redemption requests specifying a forward date or specific price. Your dealer will assume all associated costs.

Redemption orders which are received by RBC GAM before 4:00 p.m. Eastern Time on any valuation date will be priced using that day's unit value. Redemption orders which are received by RBC GAM after 4:00 p.m. Eastern Time on a valuation date will be priced on the next valuation date. If RBC GAM decides to calculate unit value at a time other than after the usual closing time of the TSX, the unit price received will be determined relative to that time. Note that your dealer may establish an earlier cut-off time.

Redemption requests for the fund must be for an amount of at least \$25 (unless the account balance is less than \$25).

Within three business days following each valuation date, we will pay to each unitholder who has requested a redemption the value of the units determined on the valuation date. If all of a unitholder's units in the fund are redeemed, any net income and net realized capital gains relating to the units which have been made payable prior to the valuation date will also be paid to the unitholder. If a unitholder redeems only some of its units in the fund, the proceeds will be paid as described above and net income and net realized capital gains attributable to the units will be paid to the unitholder in accordance with the fund's distribution policy, as described in the fund's simplified prospectus. Payments will be considered made upon deposit of the redemption proceeds in the unitholder's bank account or the mailing of a cheque in a postage prepaid envelope addressed to the unitholder unless the cheque is not honoured for payment.

Your redemption or switch transaction will not be processed until your dealer has received all documentation. Your dealer will inform you of the documentation it requires. Your dealer must provide all required documents to us within 10 business days of the date of your redemption order. If not, we will repurchase the units for your account. If the cost of repurchasing the units is less than the sale proceeds, the fund will keep the difference. If the cost of repurchasing the units is more than the sale proceeds, your dealer must pay the difference and any related costs. Your dealer may make arrangements with you that will require you to compensate your dealer for any losses suffered by the dealer in connection with your failure to satisfy the requirements of the fund or securities legislation for a redemption of securities of the fund.

### ***When you may not be allowed to redeem your units***

Under extraordinary circumstances, you may not be allowed to redeem your units. We may refuse your order to redeem if:

- › normal trading is suspended on any stock exchange or market where more than 50% of the assets of the fund are listed or traded; or
- › we get permission from the Canadian Securities Administrators to temporarily suspend the redemption of units.

The fund will not allow the purchase of units when the right to redeem units is suspended.

## **Responsibility for operations of the fund**

### ***Manager, trustee and portfolio manager***

RBC GAM is the manager, trustee, valuator and portfolio manager of the fund. The address, phone number and website address of RBC GAM is 155 Wellington Street West, Suite 2200, Toronto, Ontario, M5V 3K7, 1-800-463-FUND (3863) (English) or 1-800-668-FOND (3663) (French) and [www.rbcgam.com](http://www.rbcgam.com). You can contact us by email at [funds.investments@rbc.com](mailto:funds.investments@rbc.com) (English) or [fonds.investissements@rbc.com](mailto:fonds.investissements@rbc.com) (French).

RBC GAM manages the fund pursuant to the Master Declaration of Trust. RBC GAM is responsible for the day-to-day operations of the fund, including valuation and security holder recordkeeping services, supervision of brokerage arrangements for the purchase and sale of fund securities and other assets and the provision of investment advice and portfolio management services. RBC GAM is paid a management fee as compensation for the services it provides to the fund. RBC GAM is also paid a fixed administration fee by the fund. In return, RBC GAM pays certain operating expenses of the fund. The administration fee paid to RBC GAM by the fund in respect of a series may, in any particular period, exceed or be lower than the operating expenses paid by RBC GAM for that series of the fund. The amount and details of such fees are set out in the simplified prospectus of the fund. RBC GAM currently manages other mutual funds offered to the public.

As trustee, RBC GAM holds the property of the fund on behalf of the unitholders of the fund. RBC GAM may resign as trustee provided that unitholders of the fund approve of the new trustee. Unitholder approval is not required if the new trustee is an affiliate of RBC GAM but 60 days' notice of the new trustee will be given to unitholders of the fund. The Master Declaration of Trust may be amended in the manner described under *Description of units of the fund*.

The services provided by RBC GAM are not exclusive to the fund, and nothing in the Master Declaration of Trust prevents RBC GAM or any of its affiliates from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the fund) or from engaging in other activities.

The Master Declaration of Trust provides that RBC GAM and its directors, officers, employees, agents, advisors and affiliated parties have a right of indemnification in respect of costs they incur in carrying out their duties under the applicable declaration, unless the costs are incurred as a result of negligence, wilful default or dishonesty or failing to meet the standard of care as set out in the applicable declaration.



The name and municipality of residence, position and office held with RBC GAM and current principal occupation of each of the directors and executive officers of RBC GAM are as follows:

NAME	MUNICIPALITY OF RESIDENCE	POSITION AND OFFICE HELD WITH RBC GAM	CURRENT PRINCIPAL OCCUPATION
Wayne Bossert	Oakville, Ontario	Director	Deputy Chair and Head of Global Ultra-High Net Worth Clients and Canadian Private Banking, Royal Bank
Daniel E. Chornous	Toronto, Ontario	Director and Chief Investment Officer	Chief Investment Officer, RBC GAM
Douglas Coulter	Toronto, Ontario	Director and President, Retail	President, Retail, RBC GAM
M. George Lewis	Toronto, Ontario	Director and Chairman	Group Head, Wealth Management & Insurance, Royal Bank
Frank Lipka	Toronto, Ontario	Chief Financial Officer and Chief Operating Officer	Chief Financial Officer and Chief Operating Officer, RBC GAM
Dave Y. Mun	Toronto, Ontario	Director	Vice President, Finance, Wealth Management, Royal Bank
Lawrence A.W. Neilsen	Vancouver, British Columbia	Chief Compliance Officer	Global Head of Compliance, RBC Global Asset Management
Damon G. Williams	North Vancouver, British Columbia	Director, Chief Executive Officer and Ultimate Designated Person	Chief Executive Officer, RBC GAM
Gina Zapras	Vaughan, Ontario	Corporate Secretary	Subsidiary Governance Officer, Royal Bank

Each of the people listed above has held his or her current position with RBC GAM or one of our predecessor amalgamating entities, RBC Asset Management Inc. and/or PH&N, and his or her principal occupation during the five years preceding the date hereof, except for Wayne Bossert, who from June 2010 to February 2015 was Executive Vice President Sales, Canadian Banking, Royal Bank, Daniel E. Chornous, who from May 2008 to November 2010 was also Chief Investment Officer, PH&N, Dave Y. Mun, who from July 2012 to June 2014 was Vice President, Finance – Performance Management, Royal Bank and prior thereto held various positions with Royal Bank and RBC DS, Lawrence A. W. Neilsen, who from November 2009 to November 2010 was Chief Compliance Officer, PH&N, Damon G. Williams, who from February 2009 to November 2010 was President, PH&N and from November 2010 to April 2015 was President, Institutional, RBC GAM and Gina Zapras, who from June 2013 is Corporate Secretary, RBC GAM and prior thereto held various positions with RBC GAM and other affiliates as Subsidiary Governance Officer, Royal Bank.

***Principal distributor***

RBC GAM is the principal distributor of the units of the fund other than Series A units. The address of RBC GAM is 155 Wellington Street West, Suite 2200, Toronto, Ontario, M5V 3K7.

RMFI is the principal distributor of Series A units of the fund pursuant to the terms of a distribution agreement between RBC GAM and RMFI dated as of February 12, 2004. The distribution agreement may be terminated on 30 days' written notice by either party. The address of RMFI is 200 Bay Street, Royal Bank Plaza, South Tower, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2J5.

***Investment sub-advisor***

RBC Global Asset Management (U.S.) Inc.

NAME	POSITION AND OFFICE	PRINCIPAL BUSINESS ASSOCIATION DURING PRECEDING FIVE YEARS
Lance F. James	Managing Director, Senior Portfolio Manager	Associated with RBC GAM (US) and predecessor firms since 2006
Stephen E. Kylander	Vice President, Senior Portfolio Manager	Associated with RBC GAM (US) and predecessor firms since 2006

The investment decisions of the individuals listed above, made on behalf of RBC GAM (US) are not subject to the oversight, approval or ratification of any committee. RBC GAM (US) uses a team approach to portfolio management. All members of the team contribute to the process and decisions are driven by the process.

The investment sub-advisor agreement between RBC GAM and RBC GAM (US) provides that it may be terminated on 61 days' prior written notice given by RBC GAM or by RBC GAM (US). RBC GAM also has the right to terminate the agreement immediately if RBC GAM (US) commits certain acts or fails to perform its duties under the agreement.

***Brokerage arrangements***

RBC GAM or RBC GAM (US) makes decisions as to the purchase and sale of fund securities, including units of the underlying funds and other assets of the fund such as cash and term deposits as well as decisions regarding the execution of portfolio transactions of the fund, including the selection of market, broker and the negotiation of commissions.

In certain circumstances, RBC GAM receives goods or services from dealers or brokers in exchange for directing brokerage transactions to such dealers or brokers. The types of goods and services for which RBC GAM may direct brokerage commissions are research goods and services (*research goods and services*) and order execution goods and services (*order execution goods and services*).

RBC GAM receives research goods and services which include: (i) advice as to the value of securities and the advisability of effecting transactions in securities; and (ii) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities. Such goods and services may be provided by the executing dealer directly (known as proprietary research) or by a party other than the executing dealer (known as third-party research). The research goods and services with which RBC GAM is provided in exchange for brokerage commissions include advice, analyses and reports that focus on, among other matters, specific stocks, sectors and economies.

RBC GAM may also receive order execution goods and services, such as data analysis, software applications and data feeds. These goods and services may be provided by the executing dealer directly or by a party other than the executing dealer.

The users of these research goods and services and order execution goods and services are RBC GAM's portfolio managers, analysts and traders.

In certain instances, RBC GAM may receive goods and services containing some elements that qualify as research goods and services and/or order execution goods and services and other elements that do not qualify as either of such permitted goods and services. These types of goods and services are considered to be mixed-use (*mixed-use goods and services*). If RBC GAM obtains mixed-use goods and services, RBC GAM only uses brokerage commissions to pay for the portion that would qualify as permitted goods and services that are used in its investment or trading decisions or in effecting securities transactions, each on behalf of the fund. The types of mixed-use goods and services that RBC GAM may receive include software applications and data analysis.

RBC GAM only routes trade orders to a dealer or broker for execution if RBC GAM has reviewed and approved of that dealer or broker for use. RBC GAM approves a dealer or broker for use if it is of the view that the dealer or broker is able to provide best execution, which includes a number of considerations such as price, volume, speed and certainty of execution, and total transaction cost.

An additional but secondary consideration when RBC GAM reviews and approves a dealer or broker is the dealer or broker's ability to provide research goods and services and order execution goods and services that add value to our investment decision-making and trade order execution processes to generate investment returns for clients. Other factors that we consider when reviewing and approving a dealer or broker include the dealer or broker's regulatory status, its creditworthiness and its ability to efficiently process trade orders and settle trades.

RBC GAM uses the same criteria in selecting all of its dealers and brokers, regardless of whether the dealer or broker is an affiliate of RBC GAM. RBC GAM currently has in place brokerage arrangements with RBC DS, RBC Europe Limited (*RBC Europe*) and RBC Capital Markets, LLC (*RBC CM*), affiliates of RBC GAM. RBC DS, RBC Europe and RBC CM may provide research goods and services, order execution goods and services and mixed-use goods and services in exchange for effecting brokerage transactions.

RBC GAM conducts extensive trade cost analysis to ensure that the fund and clients of RBC GAM receive a reasonable benefit considering the use of the research goods and services and order execution goods and services, as applicable, and the amount of brokerage commissions paid. Specifically, RBC GAM's investment management teams decide which dealers or brokers are allocated brokerage business based on their ability to provide best execution of trades, the competitiveness of the commission costs, and the range of services and quality of research received.

RBC GAM may use research goods and services and order execution goods and services to benefit the fund and clients of RBC GAM other than those whose trades generated the brokerage commission. However, RBC GAM has policies and procedures in place to make a good faith determination that over a reasonable period of time, all clients, including the fund, receive fair and reasonable benefit in return for the commission generated.

For a list of any other dealer, broker or third party which provides research goods and services and/or order execution goods and services, at no cost, call us at 1-800-463-FUND (3863) (English) or 1-800-668-FOND (3663) (French) or send an email to [funds.investments@rbc.com](mailto:funds.investments@rbc.com) (English) or [fonds.investissements@rbc.com](mailto:fonds.investissements@rbc.com) (French).

### ***Sub-advisor***

RBC GAM (US) directs brokerage transactions involving client brokerage commissions of the funds in exchange for research goods and services and/or order execution goods and services. RBC GAM has been advised that RBC GAM (US) has adopted policies and procedures with respect to directing brokerage commissions in exchange for research goods and services and order execution goods and services that are consistent with the requirements of Section 28(e) of the *Securities Exchange Act of 1934* (U.S.). Pursuant to this provision, RBC GAM (US) is permitted to pay a higher commission to a broker or dealer that

provides research goods and services and/or order execution goods and services (relative to the commission paid to another broker or dealer for executing a transaction), provided that it makes a good faith determination that the commission is reasonable in relation to the value of the allowable goods and services in terms of the particular transaction or RBC GAM (US)'s overall responsibility with respect to its clients over whom it exercises investment discretion. RBC GAM (US) periodically assesses the reasonableness of brokerage commissions directed to brokers or dealers, taking into account the total amount of research goods and services and/or order execution goods and services provided by each broker or dealer from whom they receive such services. The research goods and services and order execution goods and services received by RBC GAM (US) in exchange for brokerage commissions may be provided by the executing dealer directly or by a party other than the executing dealer.

### ***Custodian***

RBC IS of Toronto, Ontario is the custodian of the assets of the fund pursuant to an amended and restated master custodian agreement between RBC GAM and RBC IS dated July 26, 2012, as amended (the *Master Custodian Agreement*). RBC IS may appoint sub-custodians from time to time as permitted under the Master Custodian Agreement and NI 81-102. RBC IS receives a fee from RBC GAM for the custodian services provided to the fund. Either party may terminate the Master Custodian Agreement by giving the other party 90 days' notice.

### ***Auditor***

The auditor of the fund is Deloitte LLP of Toronto, Ontario.

### ***Registrar***

Royal Bank, RBC IS and RBC GAM keep a record of who owns all fund units. The register of the fund is kept in Montreal, Quebec, Toronto, Ontario and Vancouver, British Columbia.

### ***Securities lending agent***

RBC IS of Toronto, Ontario is the securities lending agent of the fund pursuant to an amended and restated securities lending agency agreement between RBC GAM and RBC IS dated June 27, 2011 (the *Securities Lending Agency Agreement*). RBC IS is a wholly owned subsidiary of Royal Bank. In accordance with the Securities Lending Agency Agreement, RBC IS will value the loaned securities and the collateral daily to ensure that the collateral is worth at least 102% of the value of the securities. Pursuant to the terms of the Securities Lending Agency Agreement, RBC IS will indemnify and hold harmless the fund from any losses which may result from a breach of RBC IS's standard of care or from its negligence, fraud or wilful misconduct. Either party may terminate the Securities Lending Agency Agreement by giving the other party five business days' written notice.

### ***Independent Review Committee***

The IRC acts as the independent review committee that the fund is required to have under Canadian securities laws. The IRC reviews and provides input on conflict of interest matters in respect of RBC GAM and the fund. See *Corporate governance of the fund* on page 22.

## Conflicts of interest

### *Principal holders of securities*

#### *(a) The Fund*

Except as stated below, as at September 1, 2015, no person or company owns of record or, to the knowledge of the fund or the manager, beneficially, directly or indirectly, more than 10% of the outstanding units of any series of the fund.

NAME	TYPE OF OWNERSHIP	NUMBER OF UNITS OWNED	SERIES	PERCENTAGE OF OUTSTANDING UNITS OF EACH SERIES
Capital Funding Alberta Limited	Record and Beneficial	100	A	100.0%
Capital Funding Alberta Limited	Record and Beneficial	100	Advisor	100.0%
Capital Funding Alberta Limited	Record and Beneficial	100	D	100.0%
Capital Funding Alberta Limited	Record and Beneficial	100	F	100.0%
Capital Funding Alberta Limited	Record and Beneficial	14,600	O	100.0%

#### *(b) Manager*

Except as stated below, as at September 1, 2015, no person or company owned of record or, to the knowledge of the manager, beneficially, directly or indirectly, more than 10% of the outstanding shares of RBC GAM, the manager of the fund.

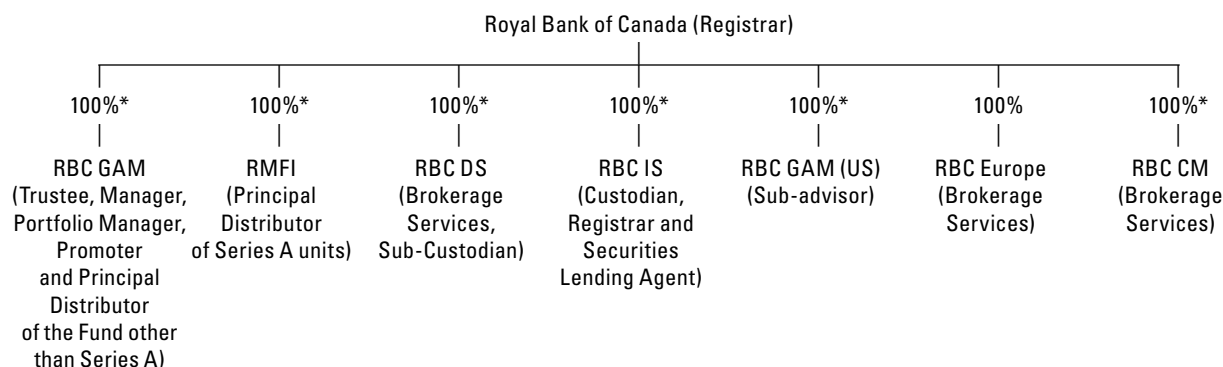
NAME	TYPE OF OWNERSHIP	NUMBER OF SHARES OWNED	PERCENTAGE OF OUTSTANDING SHARES
Royal Bank of Canada	Record and Beneficial	75,000 Common Shares	100%

The percentage of securities of each class or series of voting or equity securities of Royal Bank beneficially owned, directly or indirectly, in aggregate, by all the directors and officers of RBC GAM is no more than 0.09%, and by all members of the IRC, is no more than 0.01%.

Royal Bank owns, directly or indirectly, 100% or 60,000, 1,000,000 and 1,001,002, respectively, of the outstanding common shares of RMFI, RBC DI and RBC DS.

### Affiliated entities

The following companies that provide services to the fund or RBC GAM in relation to the fund are affiliated with RBC GAM:



\* Indirect wholly owned subsidiaries of Royal Bank of Canada.

The management fees and administration fees paid by the fund to RBC GAM and the brokerage commissions paid by the fund to affiliates are contained in the audited financial statements of the fund. The fees paid to the other affiliates indicated above are paid by RBC GAM out of the management fees and administration fees paid to RBC GAM by the fund, as applicable.

The following individuals are directors or officers of RBC GAM and also of an affiliated entity of RBC GAM that provides services to the fund or RBC GAM in relation to the fund:

NAME	POSITION WITH MANAGER	POSITION WITH AFFILIATE
Wayne Bossert	Director	Executive Vice President, Royal Bank; Director, RBC DS
Douglas Coulter	Director and President, Retail	Senior Vice President, Royal Bank; Director, RMFI
M. George Lewis	Director and Chairman	Group Head, Wealth Management & Insurance, Royal Bank
Dave Y. Mun	Director	Vice President, Finance, Wealth Management, Royal Bank
Damon G. Williams	Director, Chief Executive Officer and Ultimate Designated Person	Senior Vice President, Royal Bank; Director, RBC GAM (US)
Gina Zapras	Corporate Secretary	Assistant Corporate Secretary, RBC DS; Corporate Secretary, RMFI

As disclosed in the table above, certain directors or officers of RBC GAM may also be directors or officers of Royal Bank, RMFI, RBC DS, RBC GAM (US) or RBC IS. RBC GAM has established appropriate policies and procedures to minimize the potential for conflicts between the interests of RBC GAM and any affiliated entities. In particular, RBC GAM has policies and procedures which deal with the trading in common shares of Royal Bank and offerings underwritten by RBC DS, RBC CM and

RBC Europe and to ensure that any brokerage business allocated to RBC DS, RBC Europe and RBC CM will be on the basis of best execution and will be on competitive terms and conditions. See *Corporate governance of the fund – Independent Review Committee* and *Responsibility for operations of the fund – Brokerage arrangements*. RBC GAM monitors the application of such policies and procedures to ensure their continuing effectiveness.

## Corporate governance of the fund

RBC GAM, in its role as trustee of the fund, has overall responsibility for management of the fund.

### *Policies, procedures, practices and guidelines*

As manager and portfolio manager of the fund, RBC GAM is responsible for the day-to-day management, administration and operation of the fund, and provides investment advice and portfolio management services to the fund.

RBC GAM has established appropriate policies, procedures, practices and guidelines to ensure the proper management of the fund, including as required by NI 81-107, policies and procedures relating to conflicts of interest. The systems used by RBC GAM in relation to the fund monitor and manage the business and sales practices, risk and internal conflicts of interest relating to the fund, while ensuring compliance with applicable regulatory, compliance and corporate requirements. RBC GAM personnel responsible for compliance, together with management of RBC GAM, ensure that these policies, procedures, practices and guidelines are communicated from time to time to all relevant persons and are updated as necessary (including the systems referred to above) to reflect changing circumstances. RBC GAM also monitors the application of all such policies, procedures, practices and guidelines to ensure their continuing effectiveness.

Compliance with the investment practices and investment restrictions mandated by securities legislation is monitored by RBC GAM on a regular basis. The investment practices and restrictions for the fund and guidelines for derivative use, securities lending transactions, repurchase agreements and reverse repurchase agreements are outlined beginning on page 2.

RBC GAM has also developed a personal trading policy for employees (the *Policy*) which is designed to prevent potential, perceived or actual conflicts between the interests of RBC GAM and its staff and the interests of clients and the fund. Under the *Policy*, certain RBC GAM personnel are required to pre-clear certain personal securities transactions in order to ensure that those trades do not conflict with the best interests of the fund and have not been offered to the person because of the position they hold in RBC GAM. RBC GAM has also adopted the basic principles set out in the Code of Ethics on Personal Investing established by the Investment Funds Institute of Canada.

### *Independent Review Committee*

The IRC, formerly known as the Board of Governors, reviews and provides input on conflict of interest matters in respect of RBC GAM and the fund. Effective July 1, 2015, the Board of Governors was renamed the IRC and ceased using a subcommittee structure. The IRC continues to review advisory matters relating to conflicts of interest and this change in structure has no impact on its ability to effectively fulfill its IRC responsibilities.

The IRC will, no less frequently than annually, review and assess the adequacy and effectiveness of:

- › RBC GAM's policies and procedures relating to conflict of interest matters in respect of the fund;
- › any standing instructions it has provided to RBC GAM pertaining to conflict of interest matters in respect of the fund;
- › RBC GAM's and the fund's compliance with any conditions imposed by the IRC in a recommendation or approval; and
- › any subcommittee to which the IRC, in its role as independent review committee, has delegated any of its functions.

In addition, the IRC will, no less frequently than annually, review and assess the independence of its members, the compensation of its members, its effectiveness and the contribution and effectiveness of its members. The IRC will provide RBC GAM with a report of the results of such assessment.

The IRC prepares an annual report that describes its activities as the independent review committee of the fund. For a copy of this report, at no cost, call us at 1-800-463-FUND (3863) (English) or 1-800-668-FOND (3663) (French) or ask your dealer. You can also get a copy of this report on the RBC Funds website at [www.rbcgam.com](http://www.rbcgam.com) or by sending an email to [funds.investments@rbc.com](mailto:funds.investments@rbc.com) (English) or [fonds.investissements@rbc.com](mailto:fonds.investissements@rbc.com) (French).

This report and other information about the IRC are also available at [www.sedar.com](http://www.sedar.com).

The IRC is composed of nine members and each is independent from RBC GAM, the funds and entities related to RBC GAM. Set forth below are the name, municipality of residence and principal occupation of each of the members of the IRC:

NAME	MUNICIPALITY OF RESIDENCE	CURRENT PRINCIPAL OCCUPATION
Paul K. Bates <sup>3</sup>	Millgrove, Ontario	Academic and Former Investment Industry Executive
Elaine Cousineau <sup>3</sup>	Montreal, Quebec	President, Phénix Capital Inc.
Selwyn B. Kossuth <sup>1,2</sup>	Mississauga, Ontario	Financial Consultant
Charles F. Macfarlane <sup>1,2</sup>	Toronto, Ontario	Board Director and Former Investment Industry Executive and Regulator
Lloyd R. McGinnis <sup>4</sup>	Winnipeg, Manitoba	Director, Airport Site Redevelopment, Winnipeg Airports Authority
Linda S. Petch <sup>1,2</sup>	Victoria, British Columbia	Principal, Linda S. Petch Governance Services
Mary C. Ritchie <sup>1,2</sup>	Edmonton, Alberta	President and Chief Executive Officer, Richford Holdings Ltd.
Joseph P. Shannon <sup>3</sup>	Port Hawkesbury, Nova Scotia	President, Atlantic Corp. Ltd.
Michael G. Thorley <sup>1,2</sup>	Toronto, Ontario	Retired Lawyer

<sup>1</sup> Member of the Financial Advisory Committee of the Board of Governors (prior to July 1, 2015)

<sup>2</sup> Member of the Investment Conflicts Committee of the Board of Governors (prior to July 1, 2015)

<sup>3</sup> Member of the Governance Committee of the Board of Governors (prior to July 1, 2015)

<sup>4</sup> Chair of the IRC

### ***Policies and procedures regarding proxy voting***

As portfolio manager for the fund, RBC GAM has responsibility for the investment management of the fund, including the exercise of voting rights attaching to securities held by the fund. RBC GAM has delegated the investment management responsibility and the related obligation to exercise the fund's voting rights to RBC GAM (US), the portfolio sub-advisor of the fund.



RBC GAM (US) has established proxy voting policies and procedures for the fund. RBC GAM reviews the proxy voting policies of the fund on an annual basis. RBC GAM (US)'s proxy voting policy (the *Proxy Voting Policy*) provides that the fund's voting rights will be exercised in accordance with the best interests of the fund.

The Proxy Voting Policy guides RBC GAM (US) in determining whether and how to vote on any matter for which the fund receives proxy materials.

The Proxy Voting Policy is available on request, at no cost, by calling 1-800-463-FUND (3863) (English) or 1-800-668-FOND (3663) (French) or by writing to RBC Global Asset Management Inc., 155 Wellington Street West, Suite 2200, Toronto, Ontario, M5V 3K7.

The proxy voting record for the fund for the most recent 12-month period ended June 30 of each year will be available at no cost to any unitholder of the fund upon request at any time after August 31 of that year. The proxy voting record for the fund will also be available from the RBC Funds website at [www.rbcgam.com](http://www.rbcgam.com).

### ***Voting rights and fund-of-fund investments***

The fund may invest in underlying funds, including, in some cases, another RBC Fund. If a unitholder meeting is called for an underlying fund that is managed by us or an affiliate, you will have the voting rights that come with the units of the underlying fund and we will not vote the units of the underlying fund. If a unitholder meeting is called for an underlying fund that is not managed by us or an affiliate, we will exercise our discretion with respect to those voting rights in a manner that is consistent with the Proxy Voting Policy.

### ***Short-term trading***

RBC GAM has established policies and procedures to discourage investors from buying, redeeming or switching units frequently. Depending on the fund and the particular circumstances, RBC GAM will employ a combination of preventative and detective measures to discourage and identify excessive short-term trading in the RBC Funds, including:

- › fair value pricing of securities held by a fund;
- › imposition of short-term trading fees; and
- › monitoring of trading activity and refusal of trades.

See *Short-term trading* in the simplified prospectus of the fund for more information on short-term trading fees, including circumstances where they may not apply.

## **Income tax considerations**

This section describes the principal Canadian federal income tax considerations applicable to the fund and to investors in the fund who are individuals and who, for tax purposes, are residents of Canada, deal with the fund at arm's length and hold units of the fund as capital property.

The summary takes into account the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder, as well as all publicly announced proposed amendments to the *Income Tax Act* (Canada) and regulations. It also takes into account the published administrative policies and assessing practices of the Canada Revenue Agency.

The summary is not intended to be exhaustive. It does not address provincial, territorial or foreign tax considerations. This summary does not constitute legal or tax advice to any particular purchaser or to any particular holder of units of the fund. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in their particular circumstances.

### ***Taxation of the fund***

The fund is, or intends to be, a mutual fund trust under Part I of the *Income Tax Act* (Canada).

The fund is subject to income tax under the *Income Tax Act* (Canada) on its income (including its net taxable capital gains) for each year less the portion thereof that is paid or payable to the unitholders of the fund in the year. It is intended that the fund will distribute to its unitholders in each year its income (including its net taxable capital gains) to such an extent that it will not be liable in any year for ordinary income tax under Part I of the *Income Tax Act* (Canada).

If the fund does not qualify as a mutual fund trust and more than 50% (calculated on a fair market value basis) of the units of the fund are held by one or more unitholders that are considered to be “financial institutions” for the purposes of certain special mark-to-market rules in the Tax Act, then the fund itself will be treated as a financial institution under those special rules. Under those rules, the fund will be required to recognize at least annually on income account any gains and losses accruing on certain types of debt obligations and equity securities that it holds and also will be subject to special rules with respect to income inclusion on these securities. Any income arising from such treatment will be included in amounts to be distributed to unitholders. If more than 50% of the units of the fund cease to be held by financial institutions, the tax year of the fund will be deemed to end immediately before that time and any gains or losses accrued before that time will be deemed realized by the fund and will be distributed to unitholders. A new taxation year for the fund will then begin and for that and subsequent taxation years, for so long as not more than 50% of the units of the fund are held by financial institutions, the fund will not be subject to these special mark-to-market rules.

Initially, a subsidiary of Royal Bank will hold all the outstanding units of the fund. As a result, the fund will be subject to the special mark-to-market rules described above. If more than 50% of the units of the fund subsequently cease to be held by a subsidiary of Royal Bank and/or other financial institutions, the taxation year of the fund will be considered to have ended immediately before that time and any gains or losses accrued to that time will be considered to be realized by the fund as described above and will be reflected in amounts considered to be distributed in that shortened taxation year to unitholders of the fund. A new taxation year for the fund will then begin and for that and subsequent years, for so long as not more than 50% of the units of the fund are held by financial institutions, the fund will not be subject to these special mark-to-market rules.

If the fund invests in securities which are not denominated in Canadian dollars, the cost and proceeds of disposition of securities, dividends, interest and all other amounts will be determined for the purposes of the *Income Tax Act* (Canada) in Canadian dollars at the exchange rate prevailing at the time of the transaction. Accordingly, the fund may realize income, gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

If the fund is not a mutual fund trust under the *Income Tax Act* (Canada) throughout a taxation year, the fund (i) may become liable for alternative minimum tax under the *Income Tax Act* (Canada) in such year, (ii) may be subject to a special tax under Part XII.2 of the *Income Tax Act* (Canada) in such year and (iii) may be subject to rules applicable to financial institutions discussed above. A fund that is a “registered investment” under the *Income Tax Act* (Canada) and is not a mutual fund trust may, in some circumstances, be subject to tax under Part X.2 of the *Income Tax Act* (Canada) if the fund makes an investment in property that is not a qualified investment for registered plans. The fund does not intend to make any investment which would result in the fund becoming subject to tax under Part X.2 of the *Income Tax Act* (Canada) for any period during which the fund is a registered investment.

All of the fund’s deductible expenses, including expenses common to all series of units of the fund and management fees and other expenses specific to a particular series of units of the fund, will be taken into account in determining the income or loss of the fund as a whole for tax purposes.

If appropriate designations are made by an underlying fund in which the fund invests, the nature of distributions from the underlying fund that are derived from dividends (including eligible dividends) from Canadian companies, foreign income and

capital gains will be preserved in the hands of the fund that receives the distributions for the purpose of computing its income and making designations with respect to its own distributions to its unitholders. The fund may also receive distributions of ordinary income from an underlying fund. The nature of such amounts received by the fund may be reflected in distributions from the fund to its unitholders.

The fund is required to compute its income and gains for tax purposes in Canadian dollars and may therefore realize foreign exchange gains or losses with respect to its foreign investments, and any such foreign exchange gains or losses will be taken into account in computing the fund's income for tax purposes. If the fund's distributions to unitholders throughout a year do not completely offset its income for tax purposes as calculated in Canadian dollars, the fund may make an additional distribution to unitholders before the end of the year in an effort to ensure that the fund does not become liable for income tax.

A fund that invests in derivatives as a substitute for direct investment will include gains and deduct losses in connection with such derivative activities on income account rather than as capital gains and capital losses.

Losses incurred by the fund cannot be allocated to unitholders but may be carried forward and deducted by the fund in future years. The fund may be affected by the suspended loss rules contained in the *Income Tax Act* (Canada). A loss realized on a disposition of capital property is considered to be a suspended loss when a fund acquires a property (a *substituted property*) that is the same or identical to the property sold, within 30 days before and 30 days after the disposition and the fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the fund cannot deduct the loss from the fund's capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale. In certain circumstances, the fund may be required to defer claiming a loss that it has realized on units of an underlying fund until the fund no longer holds units of such underlying fund.

Where the amount of distributions paid by an underlying fund to the fund in a year exceeds the underlying fund's income and capital gains, such excess amount will not be included in the fund's income (unless the underlying fund elects to treat the excess amount as income) but will reduce the adjusted cost base of its units of the underlying fund for the purpose of calculating a capital gain or loss on a future disposition of the units of the underlying fund. Similar tax treatment applies with respect to excess distributions on units of an income trust held by the fund or an underlying fund. In either case, if the adjusted cost base of a unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the holder and the holder's adjusted cost base of the unit will then be nil.

### ***Taxation of unitholders***

Unitholders of the fund (other than registered plans or TFSA's) are required to include in their income for tax purposes for a year, the Canadian dollar amount of income (including net taxable capital gains and management fee distributions) paid or payable to them by the fund in the year and deducted by the fund in computing its income for tax purposes, whether or not these amounts are reinvested in additional units of the fund. Any amount reinvested in additional units of the fund will be added to the unitholder's adjusted cost base of their units.

If a unitholder's distributions from the fund in a year exceed the unitholder's share of the fund's net income and net capital gains for the year, the excess will generally not be taxable but will reduce the adjusted cost base of the unitholder's units in the fund, unless the fund elects and is entitled to treat such excess amounts as income distributions. However, where such excess distributions are reinvested in new units, the overall adjusted cost base of the unitholder's units will not be reduced. In the circumstance that reductions to the adjusted cost base of a unitholder's units for the year would result in such adjusted cost base becoming a negative amount, that amount will be treated as a capital gain realized by the unitholder in that year and the unitholder's adjusted cost base of the units will become zero.

The fund will designate, to the extent permitted by the *Income Tax Act* (Canada), the portion, if any, of the net income distributed to unitholders as may reasonably be considered to consist of, respectively, (i) taxable dividends considered to be

received by the fund on shares of taxable Canadian corporations and (ii) net taxable capital gains considered to be realized by the fund. Any such designated amount will be deemed for tax purposes to be received or realized by unitholders in the year as a taxable dividend and as a taxable capital gain, respectively. The dividend gross-up and tax credit treatment normally applicable to taxable dividends paid by a taxable Canadian corporation will apply to amounts designated as taxable dividends. An enhanced dividend gross-up and tax credit applies to certain eligible dividends and the fund will notify unitholders regarding dividends that may be treated as eligible dividends. Amounts designated as taxable capital gains will be subject to the general rules relating to the taxation of capital gains, which are described below. In addition, the fund may make designations in respect of income considered to be earned from foreign sources so that, for the purpose of computing any foreign tax credit to a unitholder, the unitholder may be deemed to have paid as tax to the government of a foreign country that portion of the taxes considered to be paid by the fund to that country that is equal to the unitholder's share of the fund's income from sources in that country. Unitholders will be advised each year of the composition of amounts, including non-taxable amounts, distributed to them.

When a unitholder acquires units in the fund, the net asset value of the units and therefore a portion of the price paid may reflect income and realized capital gains of the fund that have not been distributed, and accrued capital gains that have not been realized by the fund. This may particularly be the case near year-end before the final year-end distributions have been made. When and if such income and realized capital gains are distributed by the fund, and when and if such accrued capital gains are realized and distributed, such income and gains must be taken into account in computing the unitholder's income for tax purposes, even though such amounts were reflected in the price paid by the unitholder. If the amounts of such distributions are reinvested in additional units of the fund, the amounts will be added to the unitholder's adjusted cost base of its units. The fund intends to distribute net income and net capital gains annually, generally in December. A distribution reduces the net asset value per unit of the fund.

A unitholder's adjusted cost base per unit of a series will reflect the average cost to the unitholder of all units of that series held by the unitholder, including units purchased on the reinvestment of distributions.

Upon the actual or deemed disposition of a unit of the fund, including the redemption of a unit by the fund to pay fees or in a redemption upon termination of the fund (including where the unitholder receives units of another fund), and including a switch of units of the fund into another fund, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the units exceed (or are exceeded by) the aggregate of the adjusted cost base to the holder of such units and the costs of disposition. One half of a capital gain realized on the disposition will be included in income as a taxable capital gain. One half of any capital loss realized will be deducted against any taxable capital gains, subject to and in accordance with the detailed rules of the *Income Tax Act* (Canada).

The reclassification of units of a series into units of another series of the fund will not be considered to be a disposition for tax purposes and accordingly, the unitholder will realize neither a gain nor a loss as a result of a reclassification. The unitholder's total adjusted cost base of the units received upon the reclassification will equal the total adjusted cost base of the reclassified units immediately before reclassification.

Individuals may be subject to an alternative minimum tax which may apply in respect of amounts treated as eligible dividends and capital gains.

Holders of Series F or Series O units should consult with their tax advisors regarding whether fees payable by them may be deductible or may be added to the cost of their units for tax purposes.

See *Income tax considerations for investors – For fund units held in a non-registered account – Calculating your capital gains or losses* in the fund's simplified prospectus.

***Tax forms***

Unitholders will receive an annual tax form relating to distributions of net income, net capital gains and non-taxable amounts (including a return of capital) distributed by the fund to enable them to complete their income tax returns. Unitholders should keep records of the cost of units acquired so that they can calculate any capital gain or loss on the redemption or other disposition of their units.

***Registered plans and TFSAs***

In general, the amount of a distribution paid or payable to a registered plan (such as a Registered Retirement Savings Plan (RRSP), Registered Education Savings Plan (RESP), Group Registered Retirement Savings Plan, Registered Retirement Income Fund (RRIF), Registered Disability Savings Plan (RDSP) or Deferred Profit Sharing Plan) or to a TFSA from the fund and gains realized by a registered plan or a TFSA on a disposition of units of the fund will not be taxable under the *Income Tax Act* (Canada). However, amounts withdrawn from a registered plan may be subject to tax (other than a return of contributions from an RESP or certain withdrawals from an RDSP, and withdrawals from a TFSA).

***Eligibility for registered plans and TFSAs***

Provided that the fund qualifies or continues to qualify as a mutual fund trust under the *Income Tax Act* (Canada) or is a “registered investment” under the *Income Tax Act* (Canada), the units of the fund will be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered plans and TFSAs. Units of the fund will at all relevant times be qualified investments for trusts governed by registered plans and TFSAs.

In the case of a TFSA, RRSP and RRIF, provided that the holder or annuitant does not hold a significant interest in the fund, and provided that such holder or annuitant deals at arm’s length with the fund for purposes of the *Income Tax Act* (Canada), the units of the fund will not be a prohibited investment for such TFSA, RRSP or RRIF. Generally, a holder or annuitant will not be considered to have a significant interest in the fund unless the holder or annuitant owns 10% or more of the value of the fund’s outstanding units, either alone or together with persons and partnerships with which the holder or annuitant does not deal at arm’s length. However, the units of the fund will not be prohibited investments for any TFSA, RRSP or RRIF at any time during the first 24 months after the fund was established, provided that the fund substantially complies with NI 81-102 – *Investment Funds* during such time. Unitholders should consult with their tax advisors regarding whether an investment in the fund may be a prohibited investment for a TFSA, RRSP or RRIF in their particular circumstances.

***About RESPs***

Units of the fund will at all relevant times be qualified investments under the *Income Tax Act* (Canada) for RESPs.

Contributions to an RESP are not tax deductible. Contributions are limited for each beneficiary up to a lifetime limit of \$50,000. You will have to pay a penalty tax of 1% a month for any contributions above this limit.

Contributions to an RESP may qualify for Canada Education Savings Grants (CESGs). These grants are payable directly to the RESP, within certain limits. They may have to be repaid in some circumstances, for example, when contributions are withdrawn in certain circumstances. In addition, beneficiaries may also be eligible for the Canada Learning Bond.

As long as an RESP is registered under the *Income Tax Act* (Canada), no tax is payable under the *Income Tax Act* (Canada) by the subscriber, the beneficiary or the RESP in respect of net income and net capital gains distributed by the fund on units held in the RESP, or on capital gains realized on the disposition of units as long as such amounts remain in the plan.

The beneficiary of an RESP will be required to include in income educational assistance payments as and when received.

Subject to the terms of the RESP, the subscriber may receive a refund of contributions made to the subscriber’s RESP. A refund of contributions is not included in the subscriber’s income but may result in repayments of CESGs and restrictions on future payments of these grants.

Under certain circumstances, including if the beneficiary of an RESP does not pursue a higher education by age 21 and the RESP has been established for at least 10 years, a contributor can transfer up to \$50,000 of the RESP's accumulated income and capital gains to the contributor's RRSP or spousal RRSP without having to include the transferred amount in the contributor's personal income. This assumes the contributor has enough unused RRSP contribution room. The contributor can also receive payments of all or part of the RESP's accumulated income and capital gains as personal income. A 20% penalty tax applies to these payments in addition to any income tax payable.

## Remuneration of directors, officers and trustee

The fund does not have directors or officers. RBC GAM, in its capacity as the trustee of the fund, is not entitled to any remuneration. RBC GAM, in its capacity as manager of the fund, is entitled to receive a management fee set out in the simplified prospectus of the fund.

For the year ended December 31, 2014, members of the IRC (formerly known as the Board of Governors) received from the funds the following amounts in annual fees, meeting fees and reimbursement for expenses in connection with performing their duties for the RBC Funds and certain other prospectus-qualified funds managed by RBC GAM: Paul K. Bates – \$2,597; Elaine Cousineau – \$45,094; Selwyn B. Kossuth – \$46,302; Charles F. Macfarlane – \$50,719; Lloyd R. McGinnis – \$38,145; Linda S. Petch – \$64,164; Mary C. Ritchie – \$68,905; Joseph P. Shannon – \$38,443; Michael G. Thorley – \$49,263; and James W. Yuel – \$49,935. These fees and expenses were allocated among the funds managed by RBC GAM in a manner that was fair and reasonable. For a description of the role of the IRC, please see *Corporate governance of the fund* on page 22.

## Material contracts

The material contracts of the fund are listed below:

- (a) the Master Declaration of Trust and the regulation of the fund;
- (b) the distribution agreement for Series A units of the fund; and
- (c) the Master Custodian Agreement.

Each of the foregoing is described under the heading *Responsibility for operations of the fund* on page 15.

Copies of the material contracts listed above may be examined by prospective or existing unitholders at the principal office of the fund during ordinary business hours.

**Certificate of the Fund, the Manager, the Promoter and the Principal Distributor of the Fund (other than Series A)**

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of each of the provinces and territories of Canada and do not contain any misrepresentations.

Dated: September 3, 2015

By: ***"Damon G. Williams"***

Damon G. Williams  
Chief Executive Officer  
RBC Global Asset Management Inc.,  
as trustee, manager, promoter and principal  
distributor of the fund (other than Series A)

By: ***"Frank Lipka"***

Frank Lipka  
Chief Financial Officer and Chief Operating Officer  
RBC Global Asset Management Inc.,  
as trustee, manager, promoter and principal  
distributor of the fund (other than Series A)

On behalf of the Board of Directors  
of RBC Global Asset Management Inc., as  
trustee, manager, promoter and principal distributor of the fund (other than Series A)

By: ***"Douglas Coulter"***

Douglas Coulter  
Director

By: ***"Daniel E. Chornous"***

Daniel E. Chornous  
Director

## **Certificate of the Principal Distributor of the Fund (Series A)**

To the best of our knowledge, information and belief, this annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of each of the provinces and territories of Canada and do not contain any misrepresentations.

Dated: September 3, 2015

### **ROYAL MUTUAL FUNDS INC.**

By: ***"Kirk Dudtschak"***

Kirk Dudtschak  
President and Chief Executive Officer



## **RBC Funds**

Additional information about the fund is available in the fund's fund facts, management reports of fund performance and financial statements.

For a copy of these documents, at no cost, please call us toll-free at 1-800-463-FUND (3863) (English) or 1-800-668-FOND (3663) (French), email us at [funds.investments@rbc.com](mailto:funds.investments@rbc.com) (English) or [fonds.investissements@rbc.com](mailto:fonds.investissements@rbc.com) (French) or ask your dealer.

You can also get copies of this annual information form, the fund facts, the simplified prospectus, management reports of fund performance and the financial statements from the RBC Funds website at [www.rbcgam.com](http://www.rbcgam.com).

These documents and other information about the fund, such as information circulars and material contracts, are also available online at [www.sedar.com](http://www.sedar.com).

### **RBC GLOBAL ASSET MANAGEMENT INC.**

155 Wellington Street West  
Suite 2200  
Toronto, Ontario  
M5V 3K7

Mailing Address:  
P.O. Box 7500, Station A  
Toronto, Ontario  
M5W 1P9

Customer Service: 1-800-463-FUND (3863) (English) or 1-800-668-FOND (3663) (French).

RBC Funds are offered and distributed by RBC Global Asset Management Inc. and are also distributed by other authorized dealers.

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